

**Houston Planning Commission
Development Impacts Subcommittee
Concept Paper- DRAFT
12/05/05**

All new development has an impact on the surrounding community; some may be minimal and some more substantial. Examples are increased runoff onto neighboring parcels, increased traffic on narrow streets, lack of common open space, and reduced on-street parking. In Houston, such impacts are most often borne by the property owners after the developer has moved on.

Rice Military is an older neighborhood inside Loop 610 whose early 20th century bungalows are quickly being transformed into much higher density single family townhouses. This redevelopment is occurring incrementally without corresponding improvements to the area's aging infrastructure such as water lines, narrow streets, open ditches, insufficient room for sidewalks and no on-street parking. Without coordinated planning for infrastructure improvements in these areas and a structure for spreading the costs of improvements equally, little can be done to alter the outcome of continued redevelopment of older neighborhoods.

Measuring and addressing impacts in an equitable manner is not an easy task. In a strong property rights state, achieving a balance between individual property rights and the public interest is in constant flux. On a national level, it is far from resolved. The difficult task put before the committee was to define the impacts and explore possible solutions. The committee supports the following recommendations and looks forward to continuing the dialogue.

Recommendations

I. Financing Infrastructure Improvements

The Committee was challenged to develop a preliminary proposal or means for funding the cost of upgrading infrastructure in older, inner city neighborhoods where re-development is increasing residential density and the existing systems (water, sanitary sewer, storm drainage and streets) are inadequate.

Several public policy questions immediately arise in these situations. Does the neighborhood desire to maintain its existing "character" or is it willing to accept the market forces that are driving the demand for re-development? Is it in the best interest of the City for the re-development to occur? Or, should policies and regulations be put in place to prevent the re-development or only accommodate rebuilding of the existing condition? Rice Military and several other inner loop neighborhoods are undergoing this evolution and others are just beginning to feel the market pressures of re-development. The committee did not try to address these fundamental issues.

Instead, discussions covered a broad range of possibilities for financing upgrades to inadequate infrastructure including in-city municipal utility districts ("MUD"), public improvement districts ("PID"), tax increment reinvestment zones ("TIRZ"), management districts, enterprise zones and the ongoing capital improvement program. All agreed that any overlaying tax or assessment on existing property owners would not be a viable option, either politically or from a market view point. The approach having the most merit for further evaluation is a combination of builder impact fees and a city sponsored financing entity, such as a TIRZ. Given the current political

climate related to TIRZs and the fact that a TIRZ has much more authority than is required for the task, a new type of entity should be considered. This may require special legislation; however the evaluation of this aspect was considered outside the committee's role.

These would be a new, or “second generation” TIRZ functioning much like a TIRZ in that the incremental increased tax values in the defined neighborhood would be used for the city's share of the infrastructure cost. However, they would (i) be limited to only basic infrastructure, (ii) would have a sunset provision that terminates the entity upon retirement of any debt issued and (iii) be controlled by the city, not any one private development entity. For purposes of discussion, and not necessarily a recommendation, these proposed entities have been labeled Neighborhood Redevelopment Zones or “NERDZ”.

In order for this concept to work, it is critical that the Zone be defined and NERDZ established early in the re-development of the area. In addition to capturing the full incremental value of the new development, this would also provide a level playing field for all of the builders working in the NERDZ. By allowing builder impact fees only to be assessed after the establishment of the NERDZ, this creates the necessary impetus to establish the NERDZ early in the process. Also, all fees and bond proceeds will be kept in a dedicated fund to be used solely for improvements within the boundaries of that particular NERDZ.

The basic concept would be as follows (see Attachment A for details):

- 1) Planning and Public Works Departments identify Zones and assess existing infrastructure in and around the Zone.
- 2) Public Works and Engineering Department prepares a plan for upgrading the infrastructure to meet the needs of new development.
- 3) An infrastructure financing and implementation plan would be created that incorporates (i) a builder impact fee (“BIF”) that would be imposed in that Zone and (ii) NERDZ bonds or some similar financing instrument (the “NERDZ Debt”).
- 4) Since it is possible that there would be a number of NERDZ created in the City, the City might consider creating a Master Local Government Corporation (the “MLGC”) responsible for the budgeting, administration and finances of all NERDZ.

II. Drainage Impacts

Incremental, small scale development over time has a considerable impact on storm drainage; however, without a mechanism for creating sub-regional detention facilities, mitigation must occur on a site by site basis. Recent changes relative to Houston's storm drainage requirements (Chapter 9 regulations of the City of Houston Department of Public Works and Engineering Infrastructure Design Manual) should be clarified to eliminate potential loopholes that could be implemented to avert the intent of the criteria. The loopholes would allow the builder to avoid addressing the impacts of residential infill development that increases density and impervious surfaces. The committee recommends that two items be added to Chapter 9 as noted below in order to ensure that these developments have minimal impact on surrounding properties.

Item 9.05 H.3.b.

Add....

The subdividing of single family residential tracts greater than 15,000 sf in area does not exempt the subdivided tracts from detention.

Item 9.05.H.3.c.

Add...

The subdividing of larger tracts into smaller tracts of less than 1 acre will require the detention volume of 0.5 acre-feet per acre of increased impervious area.

These proposed additions should be reviewed in more detail with Public Works and Engineering Department staff to fully investigate unintended consequences.

In addition, Chapter 9 exempts residential development when the site is less than 15,000 square feet while no exemption exists for commercial development. Infill residential redevelopment to higher densities is resulting in an increased demand on potable water systems, wastewater collection systems, and drainage systems. Options to mitigate these impacts should be investigated including low impact development methods related to storm water runoff.

Also, the threshold of 15,000 sf relative to the need for a drainage availability letter and the corresponding requirement for storm water detention on residential development should be reviewed to determine if this is the appropriate development size for exemption. Similarly, the limit of 15,000 sf for underground drainage systems should be reviewed to determine if this requirement should be tied to the lot size exemption for detention. Another question for investigation is whether these limits would be more appropriately tied to the total impervious area in lieu of the total lot size. (see Attachment B for more details).

III. Street Extension Notification

Current development regulations require direct public notification in only two circumstances: 1) when a variance from Chapter 42 is requested and/or 2) when a public hearing is required for a replat. In all other cases, development and redevelopment occurs without any prior knowledge of neighboring property owners. This issue is of particular concern to homeowners when streets that have always been stubs are 'suddenly' extended into neighboring developments without any prior warning.

Potential solutions to this issue include maintaining an electronic database accessible to the public, sending email notification when this database is updated, expanding signage requirements, and emailing notice to super neighborhood councils and registered civic associations. These possibilities may or may not require amending Chapter 42. The Committee recommends that Planning Commission implement email notification to Super Neighborhood Council Presidents, civic associations registered with the Department through the Department's Plat Summary E-Report.